United States
Department of
Agriculture

Economic
Research
Service

**Economic
Development
Division**

**Staff Report
Number AGES 820615**

Washington, D.C.

June 1982

Farm Labor Wage Issues

Susan L. Pollack
Robert Coltrane
William R. Jackson, Jr.

FARM LABOR WAGE ISSUES, by Susan L. Pollack, Robert Coltrane and William R. Jackson, Jr., Economic Development Divison, Economic Research Service, U.S. Department of Agriculture, ERS Staff Report No. AGES820615.

ABSTRACT

Changes in regulations that would have allowed employers of H-2 temporary foreign agricultural workers to pay the Federal minimum wage instead of the higher adverse effect wage, would have lowered the estimated 1980 wage bill of H-2 employers by about 19 percent. The U.S. Department of Labor in consultation with the Department of Justice, operates the H-2 temporary foreign worker program. The non-wage costs incurred by employers of H-2 workers, primarily for housing, food, and transportation, was highest at $1,198 per worker on Virginia tobacco farms. Extending minimum wage coverage to all farms and hired farmworkers in the United States would have increased the 1980 farm wage bill by about 3.7 percent.

Keywords: Hired farm labor, temporary agricultural worker program, farm labor expenditures, minimum wage rates, adverse effect wage rates.

```
************************************************************
* This paper was prepared for limited distribution to the *
* research community outside of the U.S. Department of    *
* Agriculture.                                             *
************************************************************
```


Washington, D.C. 20250

June 1982

CONTENTS

SUMMARY

Proposed immigration reforms would make the hiring of undocumented workers illegal. It would also establish a worker program to permit agricultural employers to bring legal foreign workers into the United States to replace illegal workers, but only when domestic workers are unavailable for farmwork. The proposed worker program would be a revision of the current H-2 temporary foreign worker program operated by the Departments of Labor and Justice.

The procedures adopted for establishing wage rates and non-wage benefits of temporary foreign agricultural workers could significantly affect farm labor expenditures and the willingness of U.S. farmers to participate in the program. This analysis of 1980 H-2 adverse effect wage rates provides new information which policy-makers may use when they consider changes in current H-2 wage determination procedures.

Employers of temporary foreign workers paid a mandatory adverse effect wage rate which was higher than the Federal minimum wage in 1980, but most employers did not pay Unemployment Insurance taxes and no employer paid Social Security taxes on H-2 workers.

If regulations had been changed to allow employers of H-2 workers to have paid the Federal minimum wage, as well as re-

quired them to have paid Unemployment Insurance and Social Security taxes, the 1980 wage bill would have changed as follows:

- Total wages based on the 1980 Federal minimum wage of $3.10 per hour on apple, tobacco, and sugarcane farms employing H-2 workers would have been about 19 percent lower than the estimated actual wage bill based on the adverse effect wage rate.

- Extending Federal and State Unemployment taxes to H-2 workers would have increased the total wage bill based on the adverse effect wage rate by an estimated 2.4 percent.

- Extending Social Security taxes to H-2 workers would have increased the wage bill by 6.13 percent.

- The total wage bill would have been about 13 percent lower than the estimated wage bill based on the adverse effect wage rate, if foreign and domestic workers on H-2 farms had been paid the minimum wage, and if all H-2 workers had been covered by Federal and State Unemployment and Social Security taxes.

The non-wage costs incurred by employers of H-2 workers, primarily for housing, food, and transportation, was highest at $1,198 per worker on Virginia tobacco farms.

Not all farmworkers are covered by the Federal minimum wage law. In 1979, about 5 percent of all farms and 44 percent of all agricultural employment had mandatory Federal minimum wage coverage. However, in 1980, 53 percent of all farms employing hired labor paid their employees the minimum wage or higher. These farms accounted for two-thirds of all hired employment. Extending minimum wage coverage to all farms and hired workers would have increased the 1980 farm wage bill by about 3.7 percent.

Farm Labor Wage Issues

Susan L. Pollack, Robert Coltrane, William R. Jackson, Jr.*

INTRODUCTION

The importance of hired labor in farm production is increasing with time. Family workers still provide the major portion of labor in agriculture; however, hired workers have gradually replaced family workers over the last three decades even though hired worker numbers have declined. Hired employment as a percentage of all farm employment increased from only 23 to 26 percent between 1950 and 1970. But between 1970 and 1980, the proportion increased from 26 to 35 percent. 1/ The proportion of hired labor on many labor intensive farms in 1980 was much higher than 35 percent.

Average wage rates of hired farmworkers increased two and one-half times from 1970 to 1980. This change was associated with the increase in hired labor expenses. Hired labor expenses increased by 138 percent between 1970 and 1980. In 1980, hired labor expenses comprised about 8 percent of all farm production expenses. 2/

This report examines temporary foreign (H-2) agricultural employment in the United States in 1980, focusing on the impact on farm expenses of the adverse effect wage rate, H-2 non-wage benefits, and Social Security and Unemployment Insurance legislation regarding H-2 workers. The results provide policymakers with new information when they consider changes in current wage determination procedures for foreign agricultural workers.

Another agricultural wage issue is addressed in the second part of this report. Not all farmworkers qualify for the Federal minimum wage, but farmworker associations contend that all workers should be covered. To be eligible for the minimum wage, a worker must work on farms that employed 500 or more worker-days of labor in some calendar quarter of the previous year.

---

* Economists with the Economic Development Division, Economic Research Service, U.S. Department of Agriculture.

1/ U.S. Department of Agriculture, Statistical Reporting Service, Farm Labor, 1950-80.

2/ U.S. Department of Agriculture, Agricultural Statistics, Table 656, 1981.

Estimates of the number of farms paying the Federal minimum wage or higher and the number of workers receiving the minimum wage or higher are presented. Estimated changes in labor expenses resulting from extending Federal minimum coverage to all hired farmworkers are shown.

Components of the U.S. Hired Farm Labor Force

The U.S. hired farm labor force is comprised of three groups: 1) domestic hired farmworkers; 2) foreign nationals brought into the country under the H-2 temporary worker program; and 3) illegal aliens.

In recent years, estimates of the U.S. Department of Agriculture show that about 2.6 to 2.7 million people did hired farm work annually in the United States, which included about 200,000 migrants. Few, if any illegal aliens are included in these numbers. 3/

Legally admitted foreign workers have been an important part of the hired farm labor force for decades, but their importance as measured in numbers of workers, has diminished in recent years. At the height of the Bracero Program in 1956, almost one-half million foreign workers legally worked in U.S. agriculture, 4/ but only a small fraction of that amount are employed today. The H-2 temporary worker program has been the major mechanism for legally admitting foreign agricultural workers since the end of the Bracero Program in 1964. The H-2 program, operated by the U.S. Department of Labor (DOL), in consultation with the Attorney General, permits qualifying employers to bring foreign workers to the United States to do temporary work.

The number of H-2 farmworkers, which was never greater than 20,000 during the 1970s, has had little impact on the national farm labor market. 5/ But the workers have been significant in some commodities, particularly sugarcane harvest in Florida and apple harvest in the East and Northeastern States.

Illegal foreign workers have a much greater impact on the U.S. farm labor market than do legal foreign workers. Good estimates of the number of illegal workers in agriculture do not exist. About 100,000 illegal workers are apprehended by the Immigration and Naturalization Service (INS) annually while working in agriculture, 6/ but the true number working in agriculture is estimated by informed observers to be several times this figure. Illegal workers probably comprise a larger share of employment in agriculture than in any other U.S. industry. Most of the illegal workers are thought to be migrant workers involved in harvest work, with large numbers working in the fruit and vege-

---

3/ U.S. Department of Agriculture, Economic Research Service, The Hired Farm Working Force, 1970-1979.

4/ United States Senate, Temporary Worker Programs: Background and Issues, Committee on the Judiciary, February 1980.

5/ U.S. Department of Labor, administrative reports of the Employment and Training Administration, 1980.

6/ Immigration and Naturalization Service, administrative reports, 1980.

table harvest in Texas, Florida, and the Pacific Coast, Atlantic Coast, and Great Lake States. Illegal workers have undoubtedly been a significant part of the total migrant work force in the last 15 years.

Proposed Immigration Controls and Farm Labor

Illegal immigration, of which illegal agricultural workers are an important part, is one of the Nation's unresolved issues. Many Americans believe that the illegal entry of foreign nationals to the United States is out of control. This concern has culminated in proposed immigration legislation to control such entry. 7/

The proposed legislation would make the hiring of undocumented workers illegal. Most foreign nationals who come to the United States illegally do so because of the disparities in wages and employment opportunities between the United States and their home countries. The supporters of the proposed legislation see controlled access to sources of employment as the most effective way of controlling illegal immigration. However, employer sanctions could significantly reduce the availability of legal workers for employment in U.S. agriculture, unless there was a companion program providing for a legal supply of foreign agricultural workers. S. 2222 and H.R. 5872 would establish a separate foreign worker program for agriculture that would permit agricultural employers to bring legal foreign workers into the United States as replacements for illegal workers, but only when domestic workers are unavailable for farmwork.

The proposed foreign agricultural worker program would be a revision of the current H-2 program. The current program is authorized by Section 101(a)(15) (H)(ii) and Section 214(c) of the Immigration and Nationality Act, but the details of the program are defined almost entirely by regulations of the Immigration and Naturalization Service and the Department of Labor. More of the details of the proposed program would be defined by statute than in the current program, but several important aspects would still be determined by regulation. One of the issues likely to be determined by regulation is the wage rate to be paid foreign agricultural workers. The wage regulations could significantly affect U.S. farm labor expenditures.

7/ The Reagan Administration's bill, S. 1765, introduced October 22, 1981, by Senator Thurmond; Senator Simpson's bill, S. 2222 introduced March 17, 1982; and Representative Mazzoli's bill, H.R. 5872 introduced March 17, 1982, are each designed to regain control over our borders and regulate the admission of aliens into the United States. S. 1765 is somewhat different from S. 2222 and H.R. 5872 (S. 2222 and H.R. 5872 are identical bills), but some parts are similar. For example, each bill would impose sanctions against persons employing undocumented workers, and give legal status to illegal aliens in the United States as of a certain specified date. S.2222 and H.R. 5872 would establish a separate H-2 program for agricultural workers to enable U.S. farmers to legally secure foreign workers. S. 1765 would establish a small 2-year temporary Mexican guest-worker program available to all U.S. employers.

As a condition of employing foreign agricultural workers under the current H-2 program (and the program proposed in S. 2222 and H.R. 5872), the Department of Labor must demonstrate that such workers will not adversely affect the wages and working conditions of U.S. farmworkers doing similar work. To meet this requirement, the Department of Labor sets minimum wage rates, called adverse effect wage rates, on a State-by-State basis, for H-2 workers and American workers doing similar work on farms employing H-2 workers. The adverse effect wage rates are generally higher than the Federal minimum wage rate.

Other regulations of the current H-2 program affect the expenditures for labor on farms employing foreign workers. All employers of H-2 workers are required by regulation to provide foreign and domestic workers with certain non-wage benefits, including free housing and transportation. However, employers are exempted by Federal legislation from paying some employment taxes on foreign workers.

IMPACT OF ADVERSE EFFECT WAGE, UNEMPLOYMENT INSURANCE TAX, AND SOCIAL SECURITY TAX ON LABOR EXPENSES OF FARMERS USING TEMPORARY FOREIGN WORKERS

A non-immigrant visa is required for entry of H-2 temporary foreign workers to the United States. The Immigration and Naturalization Service grants or denies requests for the non-immigrant visas; however, the Department of Labor determines the need for foreign workers before action is taken on visa requests.

Upon a grower's request for foreign workers to fill specific jobs, the Department of Labor determines 1) whether there are sufficient U.S. workers available to do the proposed work, and 2) whether the employment of foreign workers will adversely affect the wages and working conditions of similarly employed U.S. workers. The Department requires employers requesting temporary foreign workers to demonstrate that they have attempted to recruit U.S. workers by placing job offers with their State employment service, and by placing at least two advertisements of job offers in local newspapers. The Department of Labor has 60 days after the job offers are placed with the employment service to determine if U.S. workers will be available at the time and place of need. Farmers must be notified of worker availability 20 days prior to the date needed. If the Department of Labor finds an insufficient number of U.S. workers to perform the work, and determines that foreign workers will not adversely affect similarly employed U.S. workers, it issues temporary labor certifications on behalf of the foreign workers. Employers requesting foreign workers submit these certifications to the INS with their visa petitions. 8/

In 1980, the Department of Labor granted certifications for 17,570 agricultural jobs and 801 logging jobs for temporary foreign workers. These numbers may not be the actual number

---

8/ See regulations issued by the Immigration and Naturalization Service, 8 C.F.R. 214, and the Department of Labor, 20 C.F.R. 655 for additional detail on the regulations of labor certification and entry of temporary workers to the United States.

of temporary foreign workers admitted to the United States, because employers did not necessarily use any or all of the certifications granted, and some foreign workers may have worked in two or more certified jobs. Most of the jobs certified in 1980 were for harvest labor in apples, sugarcane, and tobacco (table 1). In 1980, 6,113 certifications were granted to 337 apple growers in the New England States 9/, New York, Maryland, Virginia, and West Virginia; 8,852 certifications to 10 sugarcane cooperatives in Florida; and 1,066 certifications to 345 tobacco growers in Virginia.

While H-2 workers came from several foreign countries including Jamaica, Canada, Mexico, Spain, and Peru, those in apples and sugarcane were from Jamaica, and those in tobacco were from Mexico.

Temporary foreign workers picking apples usually work for about two months (September and October) in New York and the New England States, and somewhat longer in Virginia, West Virginia, and Maryland. Sugarcane harvesters work from October through March (6 months), while tobacco workers are employed from May through September (5 months).

Adverse Effect Wage Rate

The adverse effect wage rate (AEWR) is the minimum wage rate set by the DOL to prevent the employment of temporary foreign workers from adversely affecting the wages of similarly employed U.S. workers. Since 1968, the DOL has calculated the AEWR by adjusting the previous year's AEWR by the percentage change in the combined hourly farm wage rate (excluding room and/or board) of field and livestock workers. The wage data used in these calculations were from the U.S. Department of Agriculture's Quarterly Farm Labor Survey. 10/ The yearly AEWRs are published in the Federal Register for most States using temporary foreign workers in agriculture. In States where the calculated AEWR is lower than the minimum wage, the Federal minimum wage is used as the AEWR.

Annual Wage Bill, Adverse Effect Wage Rate vs. Minimum Wage

Agricultural employers of H-2 workers claim that the AEWR is too high in most States relative to either the minimum wage or the prevailing wage for seasonal workers. The estimated total seasonal wage bill in 1980 based on the minimum wage of $3.10 per hour was about 19 percent lower than the estimated total wage bill based on the AEWR paid by H-2 employers for seasonal labor (table 2). 11/ Estimates of the wage bill are based on the assumption that all employers pay the AEWR, but in reality some employers may pay higher wages.

9/ Includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

10/ A new procedure for calculating the AEWR is expected because of a change in USDA's farm labor survey.

11/ H-2 employment in citrus fruits, peaches, sheepherding, cabbage, tree pruning, and combined peaches and apples was not included in the cost calculations because the number of farms receiving certifications and the hours worked could not be estimated. Apples, tobacco, and sugarcane, however, made up 91 percent of all agricultural H-2 certifications in 1980.

Table 1--Number of H-2 Job Certifications, by State and Activity, 1980

State	Activity	Certifications granted	Farms requesting certification	Average number of farm employees working 150 days or less 1/
		Number		
Connecticut	Apples	131	27	7
Maine	Apples	447	24	15
Maryland	Apples	181	7	11
Massachusetts	Apples	459	42	13
New Hampshire	Apples	335	12	16
New York	Apples	2,308	125	16
Rhode Island	Apples	19	7	8
Vermont	Apples	358	19	16
Virginia	Apples	1,103	35	13
West Virginia	Apples	772	39	17
Subtotal	Apples	6,113	337	6/
Florida	Sugarcane	8,852	4/	7/15
Virginia	Tobacco	1,066	345	7
Arizona	Citrus	236	5/	27
Western States 2/	Sheep-herding	971	6/	6/
U.S. Total		3/17,570	6/	6/

1/ Based on 1978 Census of Agriculture data for all farms by type of activity.
2/ Includes Arizona, California, Colorado, Idaho, Montana, Nevada, Oregon, Texas, Washington, and Wyoming.
3/ Includes 332 certifications for peaches, peaches and apples combined, cabbage, and tree pruning in several States. The number of farms requesting certification is not available.
4/ Certifications were granted to 10 cooperatives. The number of individual farms is not available.
5/ Certifications were granted to 2 cooperatives. The number of individual farms is not available.
6/ Data are not available.
7/ Includes all employees who harvest sugarcane.

Source: U.S. Department of Labor, U.S. Employment Service.

Table 2--Labor Expenses Based on Adverse Effect Wage Rate and Minimum Wage, by State and Activity, 1980

State	Activity	Adverse effect wage rate	Total workers 1/	Total hours worked 2/	Wage bill based on: AEWR 3/	Wage bill based on: Minimum wage 3/ 4/
		Dollars	Number	Thous.	Thousand Dollars	Thousand Dollars
Connecticut	Apples	3.32	226	54	180	168
Maine	Apples	3.43	627	150	516	466
Maryland	Apples	3.23	220	62	199	191
Massachusetts	Apples	3.30	732	176	580	545
New Hampshire	Apples	3.58	431	103	370	321
New York	Apples	3.18	3,308	794	2,525	2,461
Rhode Island	Apples	3.30	47	11	37	35
Vermont	Apples	3.53	510	122	432	379
Virginia	Apples	3.51	1,331	426	1,495	1,320
West Virginia	Apples	3.28	1,104	309	1,014	958
Subtotal	Apples	--	8,536	2,208	7,348	6,845
Florida	Sugarcane	4.09	8,852	5,665	23,171	17,562
Virginia	Tobacco	3.51	2,274	682	2,394	2,115
U.S. Total		--	19,662	8,556	32,914	26,522

1/ Estimate of total H-2 and U.S. workers in similar jobs on farms employing H-2 workers. Estimates were based on the number of H-2 certifications, the number of farms requesting certification, and one-half the average number of all farm employees working 150 days or less a year, by type of activity (for sugarcane farms, only the number of H-2 certifications were used in the calculations because no domestic workers harvested sugarcane by hand labor).

2/ Estimates of total hours worked were based on the estimated number of workers and the following assumptions about hours worked per worker during the year: 1) workers in apples worked 240 hours in the New England States and New York, 280 hours in Maryland and West Virginia, and 320 hours in Virginia; 2) workers in tobacco worked 300 hours; 3) workers in sugarcane worked 640 hours.

3/ Data for these calculations were available only for apples, tobacco, and sugarcane farms. However, these three activities accounted for 91 percent of the H-2 agricultural job certifications. Costs of transportation, meals, and housing for workers are not included. Employment certified for citrus, peaches, peaches and apples combined, cabbage, tree pruning and sheepherding is not included.

4/ The minimum wage was $3.10 per hour in 1980.

Sources: U.S. Department of Labor, U.S. Employment Service, and U.S. Department of Commerce, The 1978 Census of Agriculture.

The data available to make an estimate of total wages paid on farms employing H-2 workers are the number of certified jobs by crop and State, the AEWR by State, and annual average farm employment by type of farm. The estimated total wages in table 2 are based on:

- o the number of H-2 certifications by crop and State.
- o the AEWRs by State.
- o one-half the average number of all farm employees working 150 days or less per year (seasonal employees), by type of activity and State. This statistic was used as an estimate of the number of seasonal domestic workers employed on H-2 farms. The number of H-2 certifications only were used for sugarcane seasonal workers in the wage calculations, because no domestic workers were employed as cane cutters.
- o estimate of hours worked by seasonal workers by activity and State (see footnote 2, table 2 for definition).

Unemployment Insurance

On January 1, 1978, some farm employment became subject to the Federal Unemployment Tax Act (FUTA) for the first time on a permanent basis (Section 3306 (c)(1)(A) as amended by P.L. 94-566 and P.L. 96-84). However, most States limit coverage to service performed on large farms as required in Federal legislation. Farm employers are required to pay Federal Unemployment Insurance (UI) taxes if they pay a farm wage bill of $20,000 or more in any calendar quarter during the current or preceding calendar year, or hire 10 or more farmworkers in 20 different weeks during the current or preceding calendar year. The provisions also apply to registered crew leaders and labor contractors furnishing workers to agricultural employers. Smaller farms are covered in only six States or territories (table 3). Most of the State laws have about the same definition of agricultural labor as used in the FUTA.

The Federal UI tax rate is 3.4 percent on the first $6,000 of wages paid to each employee during the calendar year. The maximum net Federal liability is 0.7 percent, since employers receive a credit of up to 2.7 percent if they pay the State UI taxes on time.

Individual States may develop programs best suited to their localities. Consequently, some variation exists between State laws, coverage, costs, and benefits. Most States consider employment covered at the Federal level as eligible employment at the State level. State UI tax rates vary widely and are essentially a measure of employment volatility in the types of farm operations in a State. Those farms that experience long periods of unemployment have the poorest experience rating and hence, the highest tax rates. The State rates vary from farm to farm, depending, in part, on the number of Unemployment Insurance claims made by the farm's employees. Thus, some employers are

Table 3--States and Territories Covering Small Farms Under Unemployment Insurance

State or Territory	Number of farmworkers required for Unemployment Insurance
California	1 or more workers at anytime, and wages in excess of $100 in a calendar quarter 1/
District of Columbia	No exclusion of agricultural workers
Minnesota	4 or more workers employed in 20 weeks, or wages of $20,000 or more in a calendar quarter 1/2/
Puerto Rico	1 or more workers at anytime
Rhode Island	1 or more workers at anytime
Virgin Islands	1 or more workers at anytime

1/ Agricultural labor performed by an individual 16 years of age or younger is excluded from agricultural coverage unless the employer is covered under Federal law.
2/ Wage bill includes cash remuneration, and costs of room, board and other perquisites.

Source: U.S. Department of Labor, Comparison of State Unemployment Laws, 1979.

required to pay more than 2.7 percent to the State program, but some pay less than 2.7 percent. Employers meeting the Federal coverage criteria are liable for the Federal tax even if they are exempt from State UI taxes, or if their employees are ineligible for unemployment compensation benefits.

Prior to P.L. 96-84, farmwork performed by H-2 temporary foreign workers was excluded from the Unemployment Insurance Program. However, beginning January 1, 1980, H-2 workers were counted in determining eligibility of the farm. Beginning January 1, 1982, eligible employers were required to pay UI taxes on H-2 workers, 12/ but H-2 workers will not be eligible to receive unemployment compensation payments unless they reside in Canada. Workers from Canada can draw unemployment compensation under an international agreement with the United States, but the agreement does not cover H-2 workers from other countries supplying workers to the United States in 1980.

Annual Wage Bill With Unemployment Insurance Tax

Extending Federal and State UI taxes to H-2 workers would have increased the 1980 total wage bill for all agricultural employers of H-2 workers by an estimated 2.4 percent (table 4). 13/ This estimate was based on the assumption that all farms

12/ A bill, H.R. 4717, would exclude the wages paid H-2 agricultural workers from UI taxes until January 1, 1984. The bill is currently being deliberated by House-Senate conferees.
13/ In 1980, farmers in Maryland, New York and Rhode Island paid State but not Federal UI taxes on H-2 workers.

Table 4--Total Annual Wage Bill for H-2 Workers With and Without Unemployment Insurance Tax, by State and Activity, 1980

State	Activity	Certifications granted	Adverse effect wage rate	Hours worked 1/	UI tax rate 2/	Total annual wage bill: With UI tax 3/	Total annual wage bill: Without UI tax 3/ 4/
		Number	Dollars	Thous.	Percent	--Thousand Dollars--	
Connecticut	Apples	131	3.32	31	3.66	108	104
Maine	Apples	447	3.43	107	3.11	379	368
Maryland	Apples	181	3.23	51	2.51	168	167
Massachusetts	Apples	459	3.30	110	3.31	376	364
New Hampshire	Apples	335	3.58	80	2.35	295	288
New York	Apples	2,308	3.18	554	3.33	1,820	1,808
Rhode Island	Apples	19	3.30	5	2.98	15	15
Vermont	Apples	358	3.53	86	3.50	314	303
Virginia	Apples	1,103	3.51	353	1.79	1,261	1,239
West Virginia	Apples	772	3.28	216	2.22	725	709
Subtotal	Apples	6,113	--	1,593	--	5,461	5,365
Florida	Sugarcane	8,852	4.09	5,665	2.51	23,753	23,171
Virginia	Tobacco	1,066	3.51	320	1.79	1,143	1,122
U.S. Total		16,031	--	7,579	--	30,357	29,658

1/ Total hours worked were based on the number of H-2 workers and the following assumptions about hours worked per worker during the year: 1) a worker in apples worked 240 hours in the New England States and New York, 280 hours in Maryland and West Virginia, and 320 hours in Virginia; 2) a worker in tobacco worked 300 hours; 3) a worker in sugarcane worked 640 hours.

2/ Combined State and Federal tax rates based on average taxes paid by crop farmers in 1979.

3/ Data for these calculations were available only for apples, tobacco, and sugarcane. However, these three activities accounted for 91 percent of agricultural job certifications. Costs of transportation, meals, and housing for workers are not included.

4/ Employers of H-2 workers in Maryland, New York and Rhode Island paid State UI taxes in 1980. These tax payments are included in the "without UI tax" wage bill.

Source: U.S. Department of Labor, U.S. Employment Service and Bureau of Labor Statistics.

employing H-2 workers were covered by Unemployment Insurance, but some of the farms may not have been covered.

Social Security

The Social Security Insurance Program (OASDHI) provides old age, survivors, disability, and health insurance. About 75 percent of the cash remuneration paid to farmworkers in 1975 was subject to the Social Security tax. 14/ The maximum amount of farm income subject to the tax and the tax rate has increased in recent years (table 5). H-2 workers are not covered by Social Security.

The minimum annual income needed to receive a quarter credit for Social Security benefits increased from $250 in 1978 to $290 in 1980. Both the employer and employee contribution rates increased from 6.05 percent in 1978 to 6.13 percent in 1980.

Annual Wage Bill With Social Security Tax

The farm wage bill would have increased by 6.13 percent in 1980, if H-2 workers had been covered by Social Security (table 6). This increase would have added an estimated $1.8 million to the total cost of employing H-2 workers on apple, sugarcane, and tobacco farms.

Non-wage Costs of Temporary Foreign Workers

Employers of temporary foreign workers incur non-wage costs for foreign workers and U.S. workers doing similar work. For example, apple growers who employ both U.S. and foreign workers to pick apples must provide the same benefits to all apple harvesters.

The non-wage costs include transportation for one round-trip from the worker's residence to the farm, transportation to and from the fields, and housing for each worker while employed. The housing must meet Department of Labor health and safety standards. Most employers must provide each worker with three meals per day, but they are permitted to charge the workers for the meals. However, employers may not charge more than the cost of providing the meals, or the maximum charge permitted by DOL regulations, whichever is less. Most employers may charge up to $4.00 per day, but in special circumstances where food costs are extremely high, employers are permitted to charge up to $5.00 per day. Most employers report that the cost of providing the meals was greater than the maximum allowable charges. The employers are required to absorb these additional costs. Employers housing only a few workers are not required to prepare meals for the workers, but they are required to provide workers with cooking facilities. In these cases, the workers buy and prepare their own food. Other costs of employing H-2 workers include expenditures for advertising and recruiting, and for Jamaican workers, a tax payable to Jamaica's social security program.

14/ Krause, Ken, Self Employed and Employer Payroll Tax, Insurance and Fringe Benefit Programs: Considerations for the Organization of Agriculture, Cost of Production and Economies of Size Studies and Policy. Unpublished ERS Report, p.17.

Table 5--Social Security Minimum and Maximum Earnings, Tax Rates, and Contributions

Year	Minimum earnings per year to obtain one quarter credit 1/	Maximum annual earnings taxed	Employer and employee contribution rate 2/	Minimum employer and employee contributions needed for employee to receive one quarter credit: Individual employer and employee contributions	Combined employer and employee contributions	Maximum employer and employee annual contributions: Individual employer and employee contributions	Combined employer and employee contributions
	---Dollars---		Percent	---Dollars---			
1978	$250	$17,700	6.05	$15.13	$30.26	$1,070.85	$2,141.70
1979	260	22,900	6.13	15.94	31.88	1,403.77	2,807.54
1980	290	25,900	6.13	17.78	35.56	1,587.67	3,175.34
1981	310	29,700	6.65	20.62	41.24	1,975.05	3,950.10

1/ An agricultural employee and employer must pay the Social Security tax when either of the following conditions are met: 1) the employee earns a minimum of $150 per calendar year, or 2) the employee works for an employer on 20 or more days during the year for any amount of cash wages computed on a time basis (hour, day, week, etc.) In 1980, the employee was not given credit toward Social Security benefits unless $290 was earned. No provision is made for a refund when the employee earns between $150 and the minimum earnings needed to receive credit.

2/ Employee and employer each contribute up to the maximum earnings.

Source: Social Security Administration.

Table 6--Total Annual Wage Bill for H-2 Workers With and Without Social Security Tax, by State and Activity, 1980

State	Activity	Certifications granted	Adverse effect wage rate	Hours worked 1/	Total annual wage bill: With SS tax 2/ 3/	Total annual wage bill: Without SS tax 2/
		Number	Dollars	Thous.	--Thousand Dollars--	
Connecticut	Apples	131	3.32	31	111	104
Maine	Apples	447	3.43	107	391	368
Maryland	Apples	181	3.23	51	174	164
Massachusetts	Apples	459	3.30	110	386	364
New Hampshire	Apples	335	3.58	80	305	287
New York	Apples	2,308	3.18	554	1,869	1,761
Rhode Island	Apples	19	3.30	5	16	15
Vermont	Apples	358	3.53	86	322	303
Virginia	Apples	1,103	3.51	353	1,315	1,239
West Virginia	Apples	772	3.28	216	752	709
Subtotal	Apples	6,113	--	1,593	5,641	5,315
Florida	Sugarcane	8,852	4.09	5,665	24,591	23,171
Virginia	Tobacco	1,066	3.51	320	1,191	1,122
U.S. Total		16,031	--	7,579	31,423	29,608

1/ Total hours worked based on the number of H-2 workers and the following assumptions about hours worked per worker during the year: 1) a worker in apples worked 240 hours in the New England States and New York, 280 hours in Maryland and West Virginia, and 320 hours in Virginia; 2) a worker in tobacco worked 300 hours; 3) a worker in sugarcane worked 640 hours.

2/ Data for these calculations were available only for apples, tobacco and sugarcane. However, these three activities accounted for 91 percent of agricultural job certifications.

3/ The 1980 Social Security tax rate was 6.13 percent.

Sources: U.S. Department of Labor, U.S. Employment Service, and the Social Security Administration.

Estimates of non-wage costs were obtained from sugarcane, apple, and tobacco grower associations by telephone interview (table 7). The non-wage costs in table 7 are only for H-2 workers; data were not obtained for domestic workers employed on H-2 farms.

The non-wage costs were highest for tobacco farms in Virginia, where growers reported $1,198 per worker. Sugarcane growers incurred $622 per worker. The costs for apple growers were highest in Virginia at $708 per worker. The unusually high cost for Virginia tobacco growers was due primarily to their greater reported loss on meals for the workers.

Table 7--Non-wage Costs Per Worker, H-2 Workers, 1980 1/

Activity by State	Housing	Loss on meals	Round-trip trans-porta-tion	Transportation to and from the fields and miscel-laneous costs	Total
		---Dollars per worker---			
Apples					
New England 2/	150	3/ 0	356	42	548
New York	180	3/ 0	363	69	612
Maryland	147	37	300	4/	484
Virginia	280	15	293	120	708
West Virginia	4/	4/	4/	4/	4/
Sugarcane-Florida	140	70	207	205	622
Tobacco-Virginia	239	636	260	63	1,198

1/ Data include costs for H-2 workers only. Non-wage costs for domestic workers receiving similar benefits are not included.
2/ Includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont.
3/ Growers in the New England States and New York provide workers with cooking utilities, and the workers buy and prepare their own meals.
4/ Data not available.

Sources: Telephone interviews with grower association representatives.

IMPACT ON FARM LABOR EXPENSES OF EXTENDING THE FEDERAL MINIMUM WAGE TO ALL HIRED FARMWORKERS

The Fair Labor Standards Act (FLSA) was enacted in 1938. Although its purpose was to eliminate "labor conditions detrimental to maintenance of a minimum standard of living necessary for health, efficiency, and general well-being of workers", agricultural workers were not covered until 1966. Even then, only farms employing 500 or more worker-days of labor during any calendar quarter in the previous year were covered. The minimum wage rates set for agriculture were lower than the rates for other industries. It was not until 1978 that the wage rates were equalized for farm and nonfarm employment. Agricultural workers working on farms employing less than 500 worker-days of labor are still exempt from coverage, and all agricultural workers are exempt from the overtime provisions of the Act.

The 500 worker-day criterion was established to protect small family farms from the higher labor cost associated with the minimum wage. In 1979, about 5 percent of all farms and about 44 percent of all agricultural employment qualified for federal minimum wage coverage. 15/

15/ Holt, James S., Joachim G. Elterich, and Lawrence Burton, "Coverage and Exemptions of Agricultural Employment Under the Fair Labor Standards Act." Part 1 of a report to the Minimum Wage Study Commission. May 15, 1981, p. iv.

To meet the 500 worker-day rule, a farm would have to employ about two workers year-round, or have a heavy concentration of seasonal labor. Specialty farms, i.e., fruit, vegetable, horticultural specialty, tobacco, and cotton farms, most often meet this rule. Although these farms make up only a small proportion of all farms, in 1979 they accounted for about one-half of all farms covered by FLSA, and over 60 percent of all covered employment. 16/

Some employees on farms qualifying for minimum wage under the 500 worker-day rule are not covered by FLSA. Exempt employees are: 1) those mainly engaged in range production of livestock; 2) nonmigratory hand harvesters who were paid a piece rate and worked less than 13 weeks in agriculture during the previous year; 3) paid family workers; and 4) children of migrant workers who work on the same farm as their parents and are paid on a piece rate basis. Other exempted employees are students with work certificates permitting them to be paid less, and workers who receive perquisites, such as room and board, as part of their wages. However, all workers, except family workers, are included in the 500 worker-day count to determine if a farm is covered by FLSA.

Influence of Minimum Wage Coverage on Hired Farmworkers

About 53 percent of the farms employing hired labor in 1980 paid their employees more than the minimum wage of $3.10 per hour. These farms had two-thirds of all agricultural hired employment (table 8). If minimum wage coverage had been mandatory for all hired farmworkers in 1980, it would have affected less than one-half the farms hiring workers and about one-third of the hired workers.

A mandatory minimum wage would have the greatest effect on farms paying less than $2.79 per hour and workers receiving less than this amount (table 8). The minimum wage would have increased costs and wages for these groups by at least $0.31 an hour. In 1980, 28 percent of the farms with hired labor paid workers less than $2.79 per hour, and 20 percent of the hired workers received less than $2.79 per hour.

Factors Affecting Labor Expenditures

Total labor expenditures are influenced by the number of hired workers, hourly earnings, and the number of hours worked. The average hours worked by hired farmworkers fluctuates during the year according to seasonal variation in labor demand associated with planting, harvesting, and other activities. The average hours worked per week was greatest during the spring and fall quarters (table 9). However, the number of workers employed, and the number of total worker-hours was greatest during the summer and fall quarters (table 10). The largest number of workers who were paid rates above the minimum wage of $3.10 per hour were employed in the summer and fall. The summer quarter also had the largest number of workers paid rates below the minimum wage.

16/ Ibid.

Table 8--Wage Distribution by Farms and Hired Workers, 1980 1/

Wage per hour	Farms with hired workers		Hired workers	
	Thousand	Percent	Thousand	Percent
Less than $2.79	461	28	1,042	20
$2.79-2.94	57	3	154	3
$2.95-3.09	260	16	571	11
Total below 3.10 2/	778	47	1,767	34
$3.10-3.25	108	7	397	7
$3.26-3.42	83	5	321	6
$3.43 and over	664	41	2,807	53
Total $3.10 and above	855	53	3,525	66

1/ The total number of farms and workers for 1980 are the sums of estimates from the January, April, July, and October surveys. Some farms and workers were counted in two or more of these surveys and, therefore, the estimates of farms and workers shown in the table are higher than the actual number of hired workers and farms with hired workers in 1980. The summation of the estimates of the four surveys was necessary to accurately calculate annual labor expenditures used in this report.

2/ The minimum wage was $3.10 per hour in 1980.

Source: U.S. Department of Agriculture, Statistical Reporting Service, Quarterly Agricultural Labor Survey.

Table 9--Average Hours Worked by Hired Farmworkers, by Quarter, 1980

Quarter	Average hours worked per worker during survey week	Weeks in quarter	Average hours worked per worker in quarter 1/
	Number		
I	35.0	13	455.0
II	38.0	13	494.0
III	36.9	13	479.7
IV	40.1	13	521.3

1/ Average hours worked in quarter based on average hours worked per worker during the survey weeks. The surveys were made during January 6-12 (I), April 6-12 (II), July 6-12 (III), and October 12-18 (IV), 1980.

Source: U.S. Department of Agriculture, Statistical Reporting Service, Farm Labor, various reports.

Table 10--Total Hours Worked by Hired Farmworkers, by Quarter, 1980

Quarter	Workers earning less than $3.10 per hour			Workers earning $3.10 per hour or more	
	Number	Percent of all hired farmworkers	Total hours worked 1/	Number	Total hours worked 1/
		Percent	Thousand		Thousand
I	305,159	6	138,847	608,904	277,051
II	414,442	8	204,734	842,932	416,408
III	690,394	13	331,182	1,118,089	536,347
IV	357,398	7	186,312	955,494	498,099
Total 2/	1,767,393	33	861,075	3,525,419	1,727,905

1/ Total hours worked per quarter is based on average hours worked per worker.

2/ The total number of workers in 1980 is the sum of estimates from the January, April, July, and October surveys. Some workers were counted in two or more of these surveys and, therefore, the estimates of workers shown in the table are higher than the actual number of workers in 1980. The summation of the estimates was necessary to accurately calculate annual labor expenditures used in this report.

Source: U.S. Department of Agriculture, Statistical Reporting Service, Quarterly Agricultural Labor Survey.

Increase in Labor Expenses with Full Minimum Wage Coverage

If all farm employers in 1980 had paid their employees at least the minimum wage of $3.10 an hour, the farm wage bill would have increased by $345 million, a 3.7 percent increase over the estimated 1980 wage bill of $9.3 billion (table 11). This assumes no increase in the wage rate of those workers receiving the minimum or higher wage in 1980. Farms which employed 3 or fewer hired farmworkers, which included 81 percent of all farms with hired farmworkers, would bear the major burden of the increase in the wage bill (tables 12 and 13). The expenditure for wages on these farms would have increased $202 million. This increase would have comprised about 58 percent of the total wage increase.

Table 11--Estimated Increase in Farm Wage Expenditures due to Minimum Wage Coverage of all Hired Farmworkers, 1980

Quarter 1/	Expenditures for wages		
	Amount 2/	Amount of increase 3/	Percent increase
	--Million dollars--		Percent
I	1,497	56	3.7
II	2,159	85	3.9
III	3,120	137	4.4
IV	2,526	68	2.7
Total 4/	9,303	345	3.7

1/ The January, April, July, and October survey estimates were expanded to quarterly data.
2/ Determined by multiplying total hours worked for each wage interval shown in table 8 by the average of the wage interval, and summing the individual products to quarter totals. The averages are: \$2.50 for the less than \$2.79 interval, \$2.87 for the \$2.79-\$2.94 interval, \$3.02 for the \$2.95-\$3.09 interval, \$3.18 for the \$3.11-\$3.25 interval, \$3.34 for the \$3.26-\$3.42 interval, and \$4.22 for the \$3.43 and over interval.
3/ The increase in expenditures for wages is the difference between the 1980 wage expenditures and expenditures based on the assumption that workers paid less than the minimum wage were paid the minimum wage of \$3.10 per hour. The wage rates of workers paid the minimum wage or more were not changed.
4/ Numbers may not add due to rounding.

Source: U.S. Department of Agriculture, Statistical Reporting Service, Quarterly Agricultural Labor Survey.

Table 12--Number of Farms by the Number of Employees on Farms, 1980 1/

Number of employees on a farm	Farms paying Less than $3.10 an hour		Farms paying More than $3.10 an hour		Total number of farms	
	Thousand	Percent	Thousand	Percent	Thousand	Percent
1	396	51	390	46	786	48
2	193	25	178	21	371	23
3	82	11	86	10	168	10
4	39	5	47	5	85	5
5-8	50	6	85	10	134	8
9 or more	18	2	69	8	87	5
Total 2/	777	100	855	100	1,632	100

1/ The total number of farms in 1980 is the sum of estimates from the January, April, July, and October surveys. Some farms were counted in two or more of these surveys and, therefore, the estimates of farms shown in the table are higher than the actual number of farms in 1980. The summation of the estimates was necessary to accurately calculate annual labor expenditures used in this report.

2/ Numbers and percents may not add to totals due to rounding.

Source: U.S. Department of Agriculture, Statistical Reporting Service, Quarterly Agricultural Labor Survey.

Table 13--Estimated Increase in Farm Labor Expenditures due to Minimum Wage Coverage for all Hired Workers, by the Number of Employees on a Farm, 1980

Number of employees on a farm	Expenditures for wages: Amount 1/	Expenditures for wages: Amount of increase 1/	Percent distribution
	-----Million-----		Percent
1	1,290	75	22
2	1,216	77	22
3	820	50	14
4	565	33	10
5-8	1,404	55	16
9 or more	4,007	55	16
Total 2/	9,303	345	100

1/ See table 11, footnotes 2 and 3 for explanation.

2/ Numbers may not add to totals due to rounding.

Source: U.S. Department of Agriculture, Statistical Reporting Service, Quarterly Agricultural Labor Survey.

☆U.S. GOVERNMENT PRINTING OFFICE: 1982-360-930:ERS-1132